

Implications of the US reciprocal tariffs for the Southern African Customs Union

OVERVIEW

This policy brief examines the Southern African Customs Union (SACU), its member states, its objectives, and trade between the member states. It also looks at the trade relationship between SACU and the United States (US), focusing on the US reciprocal tariffs and SACU's exports to the US. Lastly, the policy brief examines SACU member states' exports to the US under the African Growth and Opportunity Act (AGOA).

INTRODUCTION

The recent US decision to impose reciprocal tariffs has significant implications for SACU, a regional bloc consisting of Botswana, Eswatini, Lesotho, Namibia, and South Africa. These trade measures, initiated by President Donald Trump in April 2025, form part of a wider effort to rectify what the US government perceives as unfair trade practices, specifically targeting nations with large trade surpluses relative to the US.

The US's decision to increase tariffs unilaterally, without engaging the affected SACU member states, marks a significant deviation from established international trade practices, undermining both global trade dynamics and the core principles of the multilateral trading system. For SACU, these tariffs measures threaten to undo progress achieved in trade relations with the US, as exports from SACU to the US have been on an upward trajectory since 2017. Moreover, the imposition of tariffs poses the risk of shifting SACU's export profile away from more value-added manufactured goods toward a more extractive, resource-based trade relationship. This will keep SACU member states exporting minerals and hinder development of their refining capacity (SACU, n.d.).

SOUTHERN AFRICAN CUSTOMS UNION

SACU operates under a framework that facilitates the unrestricted movement of goods within member states and enforces a standardised external tariff on products imported from outside the union (the dtic, n.d.). The Common Customs Area within SACU allows goods that are grown, produced, or manufactured within the area to be traded between member states without being subject to customs duties or quantitative restrictions. However, this does not apply to restrictions imposed by national laws intended to protect local industries or products within the respective member states (SARS, n.d.).

Among other areas, the union also works to address ongoing challenges related to fairness and deeper regional and global economic integration, while also working to address issues related to transparency, accountability, and strengthening democratic institutions supporting the equitable distribution of trade benefits. SACU also aims to create a competitive environment within the Common Customs Area, enhancing investment opportunities, promoting economic growth, industrial development, diversification, and competitiveness among its members.

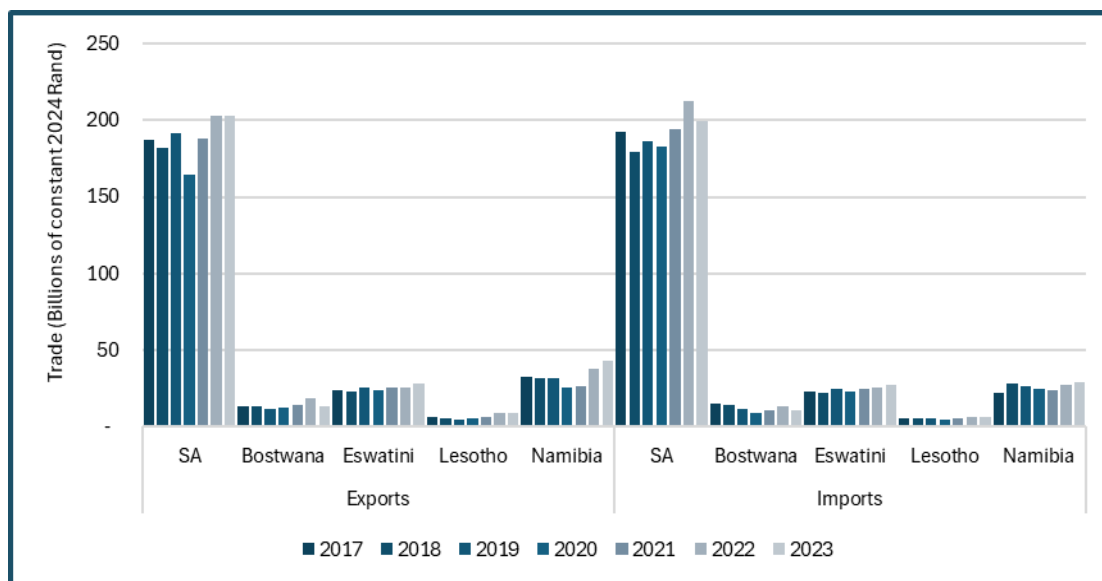
Graph 1 (see page 2) presents SACU's total value of exports and imports by its member states from 2017 to 2023. Over this seven-year period, the total exports from all SACU members to each other fluctuated but generally grew, from R263 billion in 2017 to R297 billion in 2023 (in constant 2024 terms). South Africa is by far the largest exporter within SACU, averaging about 71% of total intra-SACU exports each year. South Africa's exports within SACU peaked in 2023 at R203 billion, a significant recovery after the decline in 2020 caused by the COVID-19 pandemic, when exports dropped to R164 billion.

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Graph 1: SACU members' trade within the Customs Union, in billions of constant 2024 South African Rands, 2017 – 2023



Source: Calculated from ITC Trade Map Data. Downloaded from <https://www.trademap.org> in May 2025.
 Note: Rebased to 2024 using CPI data from Stats SA.

Namibia and Eswatini also showed strong growth during this period. Namibia's exports almost doubled, from R26 billion in 2021 to R44 billion in 2023, making it the second-largest exporter by 2023. Eswatini's exports increased from R24 billion in 2020 to R28 billion in 2023. Lesotho had the lowest export values among the SACU members, but its exports still grew, from R6 billion in 2020 to R9 billion in 2023. Botswana generally remained below R15 billion over this period, except in 2022, when exports grew to R19 billion, before declining to R14 billion in 2023.

Graph 1 also shows imports. South Africa is the largest importer from other SACU members, with imports growing from R179 billion in 2018, and peaking at R213 billion in 2022 before declining to R199 billion in 2023. South Africa averaged about 74% of total intra-SACU imports. Botswana's imports from SACU declined from R15 billion in 2017 to R10 billion in 2023. Eswatini's imports remained relatively stable between R22 billion and R28 billion throughout the period. Lesotho's imports were the lowest, fluctuating between R5 billion and R6 billion over the analysis period. Namibia's imports grew from R22 billion in 2017 to R29 billion in 2023.

SACU AND THE US

Although SACU and the US were unable to finalise a Free Trade Agreement (FTA), they signed a Trade, Investment, and Development Cooperation Agreement (TIDCA) on July 16, 2008. The TIDCA provides a structured platform for dialogue, collaboration, and potential arrangements across a broad spectrum of trade-related matters. Key areas of focus include customs and trade facilitation, addressing technical barriers to trade, sanitary and phytosanitary standards, and the promotion of trade and investment.

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In April 2025, the US introduced reciprocal tariffs on imports from SACU member states. However there are ongoing efforts to engage the US aimed at finding a different tariff approach from the one announced in April.

The TIDCA was developed to build on the progress previously made during FTA negotiations, which were discontinued due to differing perspectives on the scope and ambition of such an agreement. While not a substitute for a full FTA, the TIDCA serves as a foundational mechanism, intended to lay the groundwork for a future FTA, a goal that both SACU and the US continue to pursue in the long term (United States Trade Representative, n.d.).

The economic relationship between SACU and the US has primarily been governed by the Most Favoured Nation principle, along with preferential trade programmes such as AGOA and the US Generalized System of Preferences (GSP). These unilateral initiatives grant duty-free access to eligible countries and have played a key role in encouraging US investment, strengthening cross-border supply chains, and supporting economic development, job creation, and industrial advancement within SACU member states (SACU, n.d.).

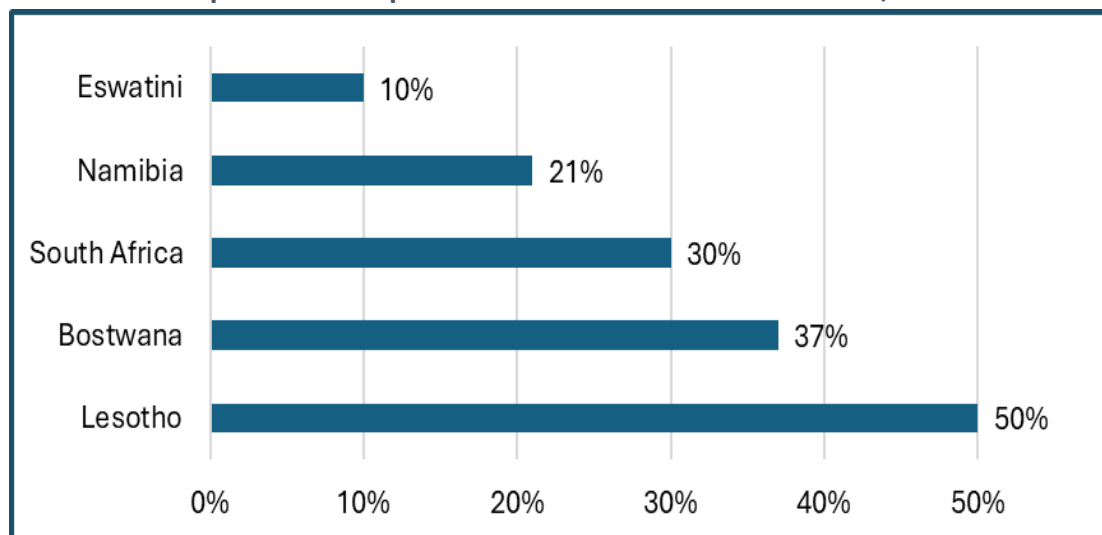
SACU member states reciprocal tariffs

In April 2025, the US introduced reciprocal tariffs on imports from SACU member states. The US applied country-specific tariff rates on SACU imports: 50% on goods from Lesotho, 37% from Botswana, 30% from South Africa, 21% from Namibia, and 10% from Eswatini (see Graph 2). This marks a significant shift from previous trade arrangements, particularly under AGOA which had granted the SACU member states preferential access to US markets.

These higher tariffs are likely to have substantial economic implications, especially for Lesotho, whose clothing, textiles, leather and footwear (CTFL) industry depends heavily on access to the US market. Around 99% of Lesotho's exports to the US are products from the CTFL industry. However, the total share of Lesotho's exports to the US has declined over the years, from 45% in 2017 to 19% in 2023. The imposition of these tariffs may reduce export competitiveness, increase production costs, and strain the trade relationships between SACU and the US.

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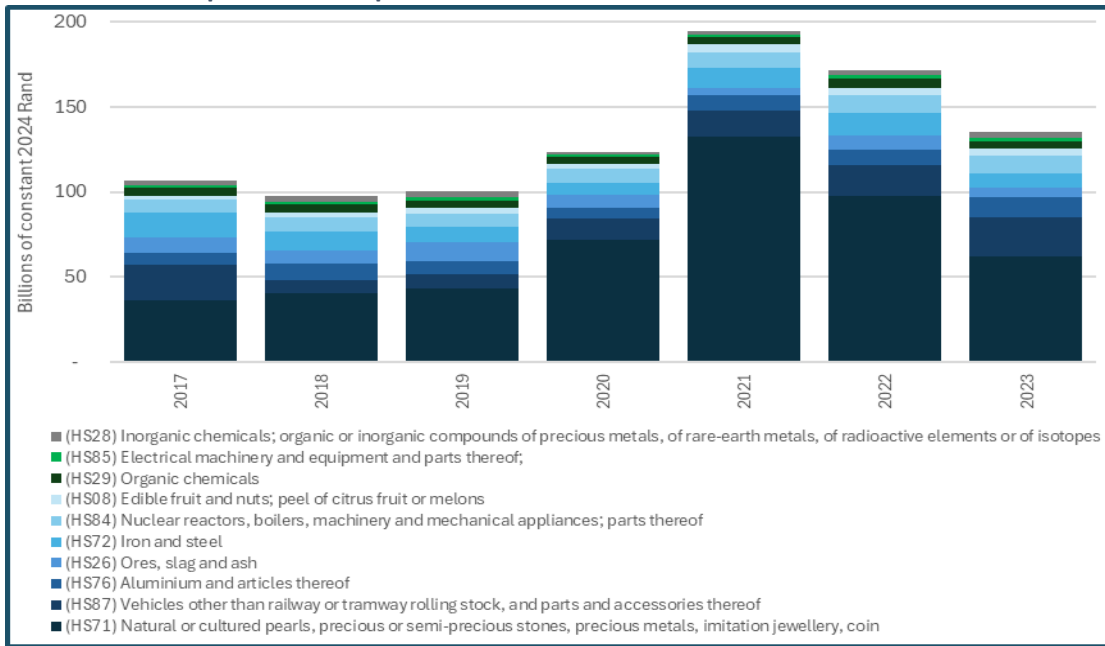
Graph 2: US Reciprocal tariffs on SACU member states, 2025



Source: Downloaded from CNBC at <https://www.cnbc.com/2025/04/02/trump-reciprocal-tariffs-countries-chart-imports-united-states.html> in May 2025

The US's decision to increase tariffs unilaterally, without engaging the affected SACU member states, marks a significant deviation from established international trade practices.

Graph 3: SACU exports to the US in billions of constant 2024 Rand



Source: Calculated from ITC Trade Map Data. Downloaded from <https://www.trademap.org> in May 2025.
 Note: Rebased to 2024 using CPI data from Stats SA.

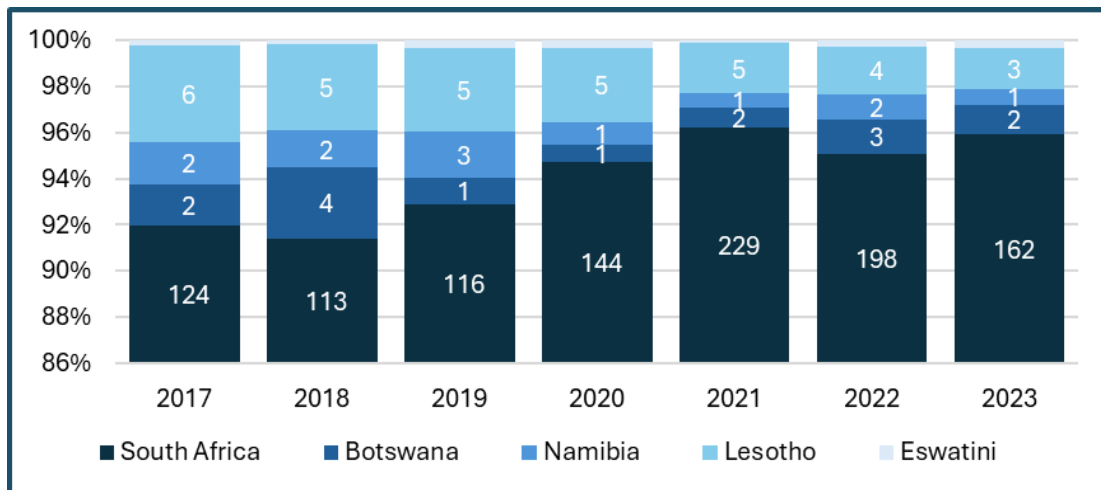
SACU top exports to the US

Graph 3 shows the top 10 exports by product group (HS level 2) to the US between 2017 and 2023. Total exports peaked in 2021 at R238 billion, largely driven by shipments of precious metals and stones (HS 71) as unit prices increased, which alone accounted for over R132 billion that year. This category consistently ranks as the largest export, reflecting SACU's strong position in global precious metals markets, namely platinum group metals (PGMs) from South Africa.

The second most significant export is vehicles (HS 87), which saw a rebound from R8 billion in 2018 to over R26 billion in 2024, centred in South Africa's automotive manufacturing sector consisting of assembled vehicles and components. Other notable exports include aluminium (HS 76) and iron and steel (HS 72), both of which showed resilience despite global market fluctuations. Ores, slag, and ash (HS 26) remained an important raw material export, while nuclear machinery and mechanical appliances (HS 84), along with electrical equipment (HS 85), suggest ongoing industrial trade beyond just raw commodities. Agricultural goods such as edible fruits and nuts (HS 08) steadily increased over the period, supported by AGOA.

Graph 4 illustrates the contributions of individual SACU member states to total SACU exports to the US from 2017 to 2023.

Graph 4: SACU member states' exports to US in billions of constant 2024 South African Rands, and as a share of the total, 2017 – 2023



Source: Calculated from ITC Trade Map Data. Downloaded from <https://www.trademap.org> in May 2025.
 Note: Rebased to 2024 using CPI data from Stats SA.

South Africa dominates SACU's exports to the US, consistently accounting for over 90% of the total export value each year. Its exports surged from R124 billion in 2017 to a peak of R229 billion in 2021. This surge was in large part driven by a surge in the price of PGMs. Prior to the COVID-19 pandemic, PMG exports from South Africa accounted for around 30% of the country's total exports to the US. This surge began in 2020, peaking at 52% of the total in 2021, and has since declined to 32% as of 2023. Other notable exports include vehicles and machinery. Although there was a decline in subsequent years, South Africa remained the clear driver of SACU's trade with the US. The other member states contributed relatively modest amounts. Botswana's exports fluctuated, peaking at R3 billion in 2022, primarily linked to diamond trade. Lesotho maintained relatively stable exports in the range of R3 billion to R6 billion, though showing a declining trend after 2021.

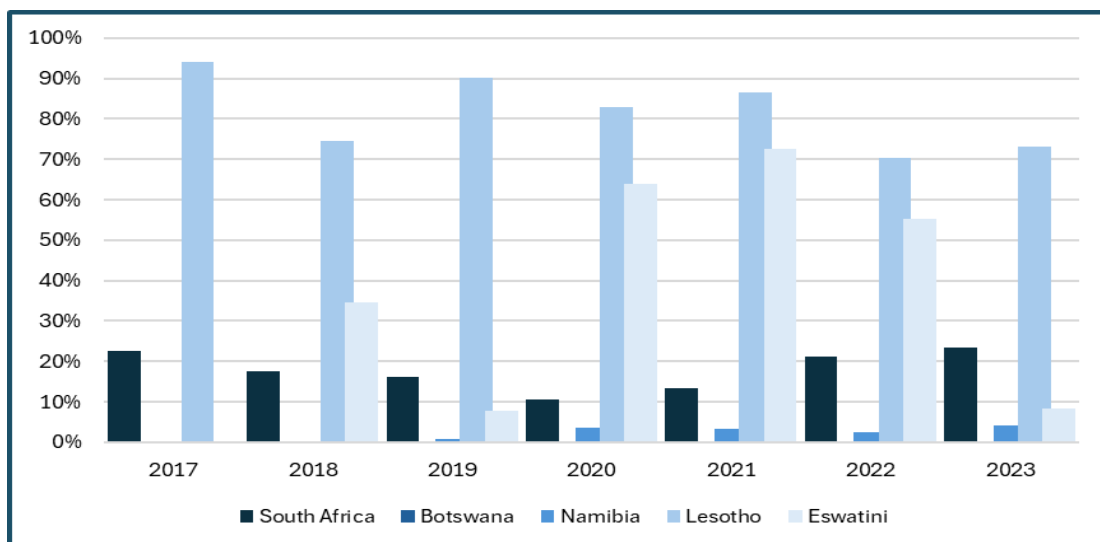
The data also show the need for export diversification more broadly, but also for exports to the US for SACU member countries. For instance, South Africa's top 10 exports (HS4) to the US for 2023 amounted to R104 billion, with PGMs and motor vehicles accounting for 70% of this value. Similarly, Namibia's top 10 exports to the US amounted to R1.1 billion, with diamonds and building stone accounting for 91% of this total. Further, all but one of Lesotho's top 10 exports were CTFL products, while Eswatini's top export to the US was cane or beet sugar, accounting for 86% of the total of R560 million. Botswana fared worst of all, with diamonds accounting for 99% of the top 10 total of R2 billion.

IMPLICATIONS OF AGOA

Since its launch in 2000, AGOA has been a key part of US economic engagement with Sub-Saharan Africa, offering duty-free access to the US market for over 1800 products, on top of 5000 under the GSP. To qualify, countries must meet criteria such as maintaining a market-driven economy, upholding the rule of law, protecting human rights, and reducing trade barriers with the US. AGOA has supported economic growth, reforms, and closer US and Africa relationships. As of 2024, 32 countries are eligible, with the programme extended through 2025 (United States Trade Representative, n.d.). AGOA utilisation measures how effectively beneficiary countries use the trade preferences. Exporters may skip AGOA benefits if compliance costs outweigh normal tariff costs, especially when the US is a minor market. Utilisation is also limited by rules-of-origin requirements (e.g. 35% local content) and certification hurdles. Sectors with high standard tariffs, like agriculture, tend to make better use of AGOA preferences (Wesgro, 2024).

Graph 5 shows the percentage shares of each SACU country's total exports to the US made through the AGOA from 2017 to 2023. Lesotho stands out as the most AGOA-dependent country out of the SACU members. Its share of exports to the US through AGOA remained consistently high, ranging from 70% to 94% over the period and would be significantly affected by the imposition of the new tariffs. Eswatini, by contrast, shows a volatile pattern. After registering no AGOA exports in 2017, its share rose to 64% in 2020 and peaked at 72% in 2021, before dropping to just 8% in 2023.

Graph 5: Share of SACU member states' total exports to the US through AGOA, 2017 – 2023



Source: Calculated using data from United States International Trade Commission. Imports For Consumption in NAIC Numbers. Downloaded at <https://dataweb.usitc.gov> in May 2025.

South Africa's use of AGOA has remained relatively low and stable, though with some variation. The share declined from 23% in 2017 to 10% in 2020 but recovered to 23% again by 2023. Namibia and Botswana show the lowest utilisation rates among SACU members. Namibia's usage grew from 0% in 2017 to 4% in 2023, while Botswana's utilisation grew from 0% in 2017 to 0.1% in 2023. Given Lesotho's reliance on AGOA for its CTFL exports, the imposing of the new tariffs will impact the industry and economy more broadly. Other countries – particularly South Africa – in SACU might benefit from some of the proposed exemptions on products like ores. However, the exemptions have the potential to keep SACU members entrenched in exports of minerals rather than growing into manufacturing, unless there is an effort to supply manufactures to other markets.

One option of a potential strategy to address the reciprocal tariffs is to reduce commodity exports to the US. This would aim to narrow the purported trade imbalance, not through increased imports or tariff adjustments, but by lowering commodity exports. The rationale is to protect and prioritise manufactured exports, which offer higher value and are more strategically important. It might be easier to find alternative markets for commodities than for specialised manufactured goods, and this may offer a more practical path to trade rebalancing while minimising economic disruption.

CONCLUSION

The imposition of reciprocal tariffs by the US has created substantial obstacles for SACU member countries, placing pressure on vital industries and employment. Although there are ongoing efforts to secure exemptions and expand trade relations, this situation highlights the susceptibility of smaller economies to global policy shifts. The success of current country-specific initiatives and strategic responses will be key to ensuring the region's long-term economic resilience. The SACU Chairperson has emphasised that, in pursuing any agreements with the US, member states will safeguard the common external tariff and protect regional industrial development. SACU remains committed to advancing the AGOA, fostering regional value chains for sustainable growth, and aligning export strategies to make the most of existing trade agreements.

With the US being the world's largest economy, it remains a vital export market, including for African exporters seeking growth and market diversification. However, the introduction of higher reciprocal tariffs is likely to diminish the competitiveness of African exports in the US market. This is particularly detrimental for low-income economies such as Lesotho, where many exports are primarily focused on labour-intensive sectors. The negative impact on these sectors could undermine the benefits of AGOA, which was designed to stimulate light manufacturing in Sub-Saharan Africa, and poses a significant risk of business closures and job losses. The additional costs imposed by these tariffs could lead to a reduction in demand in the US market, particularly for countries that previously benefited from preferential access under AGOA. For example, the reciprocal tariffs on African automotive exports could deter foreign direct investment driven by US market opportunities. The higher costs of African-made vehicles in the US market will make production in Africa less appealing to investors targeting American consumers.

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